

OCI No. 0521/63

CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
9 April 1963

CURRENT INTELLIGENCE MEMORANDUM

SUBJECT: Background Paper on South Vietnam

1. Underlying strains in US - South Vietnamese relations are coming closer to the surface. President Diem, after initially indicating agreement, is now refusing to commit South Vietnamese funds for counterinsurgency projects under joint handling with the US. His objection is not so much the amount of his government's contribution as the procedures which allow an American voice in the disposition of South Vietnamese resources.

2. If Diem persists in this attitude, the result could be a slowdown in the momentum of socio-economic projects, including strategic hamlets, now numbering over 5,000, which form the cornerstone of the counterinsurgency effort. Much of the financing of local programs, aimed at consolidating political control in the hamlets once their external defenses are constructed, has been provided through US purchase, as an emergency measure, of Vietnamese piasters, amounting to \$10,000,000. These funds are now approaching exhaustion. The procedures for spending this emergency fund have permitted direct US assistance at the provincial and district level in order to promote a rapid impact on rural populations. Aid is administered in accordance with provincial rehabilitation plans, drafted by province chiefs and military sector chiefs, which are screened by the government's Interministerial Committee and submitted for US approval.

3. Diem recently told Ambassador Nolting that direct US assistance at the provincial and district levels is creating the impression of a "US protectorate" over South Vietnam. He stated that the large number of advisers at lower administrative and military echelons is encouraging a "colonial

State Dept. review completed

SECRET

25X1

mentality" among some local officials and playing into Communist hands. Although he acknowledged that US military aid and advice had been largely responsible for improvements in the security situation, he argued that many American advisers, in their zeal and ignorance of Vietnamese traditions, are causing local friction and much of the current unfavorable publicity on South Vietnam.

4. Diem stated that the number of American advisers should be gradually reduced to "restore control at the top."

25X1

25X1

6.

25X1

Diem reportedly has taken measures to forestall any coup attempt from within or without the government, including the arrest of some 20 army officers, presumably of junior grade. Although discontent with the regime undoubtedly persists in influential circles, there has been no real evidence of effective coup plotting and it is possible that some of the

SECRET

25X1

25X1

[REDACTED]

rumors were prompted by the government's desire to test US support for Diem.

7. In the military field, government forces have continued to keep up pressure on the Viet Cong, particularly through raids on guerrilla supply centers, although they continue to have little success in engaging Viet Cong regular units. Government troops are showing some success with more frequent smaller-unit operations and with clear-and-hold operations in support of the strategic hamlets.

8. After a relatively low-level of activity in early 1963, the Viet Cong in recent weeks have stepped up the rate of attacks so that they are now close to the weekly average (105) which prevailed last year. Most of these attacks have been concentrated in the Mekong delta area.

25X1

[REDACTED]

10. The improved mobility of government forces probably has kept the Viet Cong off balance, and the reduced guerrilla activity early this year may have resulted partly from a period of reassessment, regrouping, and retraining. Despite apparent heavy casualties, the Viet Cong appear able to maintain their forces, now estimated at 22-25,000 in identified units, although they continue to be cautious in the use of larger units.

11. An increase in the number of Viet Cong defections has occurred in recent months, although few of these are hard-core troops. Possible concern over the morale of the guerrillas is suggested [REDACTED]
[REDACTED] in recent Hanoi broadcasts stressing

25X1

SECRET

25X1

that the "struggle" in South Vietnam will be long and arduous. There has been little recent evidence to suggest that infiltration from North Vietnam is currently at a high rate, but Hanoi references to medical aid from the Sino-Soviet Bloc for "victims of chemical warfare" in South Vietnam could be the prelude to more open assistance.